

From: Community South Bank, Penny Vise
Subject: Regulation CC

Comments:

Date: Jun 03, 2011

Proposal: Regulation CC - Availability of Funds and Collection of Checks

Document ID: R-1409

Document Version: 1

Release Date: 03/03/2011

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Comments:

Thank you for the opportunity to comment on the Regulation CC proposal. I am a compliance officer at a community bank. First of all, I would like to state that the deluge of new and revised regulations in the last two years and those upcoming are simply overwhelming. With the creation of the Consumer Financial Protection Bureau (CFPB), the future looks very bleak for banking. Government control, interference in free enterprise is not and will not be of benefit to consumers. Many of them think so but the end results will be worse; and small community banks will find it hard to survive. As at least one commenter has said, when is the consumer going to be held responsible? It is as if the federal government, the Federal Reserve, the FDIC are essentially telling us to stand at the door and hand out money to consumers with all the new regulations. The purposes of Reg CC should be of mutual benefit to consumers and banks. At its passage, the primary goal as I understand was to make funds more readily available because banks did hold funds longer than necessary, however, to shorten allowable hold periods (case-by-case should be lengthened) puts banks at a significant risk. When is the government going to realize that banks take the risks? In conjunction with this proposal, although it is law and only a repeal can change it, \$200 availability on the next business day is detrimental to banks. Once again, Congress is fostering irresponsible consumers. We are not in favor of reducing the exception hold period to four days. If all banks had electronic processing, this might work, however, they don't. Even those that do - here is the process. We receive a check for deposit today, the electronic version is transmitted in our cash letter tonight (we do electronic processing), the paying bank receives it tomorrow, it posts to the customer's account, next day the account is overdrawn, paying bank makes the decision to return and we receive it the next day which is the fourth day - and this is even with electronic processing.

Funds are to be made available at 9:00 a.m. and we do not receive returns until

9:00 a.m. or after, thus the funds could be withdrawn before debiting the returned item(s) to the customer's account. In our opinion, case-by-case holds should be extended to four days and exception holds remain at seven. Certainly not eliminate case-by-case holds although the second day does not provide much if any protection. New account hold periods should not be shortened either. The Fed acknowledges that even assuming banks collect and return all checks electronically, depository banks will be required to make funds available for withdrawal before knowing whether the check is being returned. Is this risk significant? YES, YES, YES! Why should we be required to take the risk even if it wasn't significant?? Why must we always acquiesce to the customer? We provide excellent customer service, we want to keep our customers, they are our lifeline but do not need those who continually take advantage of the "system." We do everything possible to create products and services that are beneficial to consumers yet provide the bank a profit as any business is due. Additionally, there should be some protection for cashier's checks, Treasury checks, and all other next-day items. Cashier check fraud is rampant yet banks must make funds available the next day unless there is an exception reason and it is many times difficult to apply an exception reason. The Fed proposes to force banks to go to electronic processing when it may not be feasible for some small banks. All of this is to make things easier for consumers. And consumer groups shout "Poor consumer, being taken advantage of by the banks" when they have no idea the costs, losses, human and electronic resources banks incur and expend. The Board requests comment on the proposal of incorporating into the model language that although funds have become available and the customer has withdrawn them, the customer remains responsible for the deposited checks that are returned unpaid and whether proposed revision reflects the practice of most banks. That definitely is our practice and I cannot see why it would not be the practice of other banks; otherwise the bank loses the funds. Although we do make funds from cash and wire transfers available the same day, we would like to reserve the right to make funds available the next day due to situations where a transaction may come in after a wire or cash deposit has been made available and withdrawn but because of the transaction that posted afterwards, the customer is then overdrawn or was already overdrawn. Habits of customers and account history may reveal whether this could occur so that the bank could invoke that action. The Board states that consumer testing revealed that consumers are confused by a list of reasons appearing on a hold notice and the proposal is to only describe the reason for the hold.

We are not in favor of this proposal. Employees have a myriad of policies, procedures and regulations to deal with on a daily basis. The list provides employees a tool to appropriately choose an allowable reason for placing the hold. Why is the consumer always considered but never the bank or its employees? In summary, the Federal Reserve should take into account the exposures that currently exist for banks, provide greater protection for the banks and put an end to requirements that foster consumer irresponsibility. Banks attempt to educate consumers on financial matters by providing free classes, free materials in branches and statements, however, financially irresponsible adults will remain that way as long as there is no accountability even by the government. Community South has offered free educational classes on more than one occasion with absolutely no attendees. Consumers who are financially irresponsible are unlikely to change because that is the way they have been taught all of their lives.

Thank you,

Penny Vise